THE INFLUENCE OF THE FRAUD DIAMOND PERSPECTIVE ON FINANCIAL STATEMENT FRAUD IN LPDS IN MENDOYO SUB-DISTRICT

Ni Gusti Ayu Ratih Anjelika *
Faculty of Economics and Business, Udayana University, Indonesia
ratiihanjelika01@gmail.com

I Gusti Ayu Made Asri Dwija Putri
Faculty of Economics and Business, Udayana University, Indonesia

Made Yenni Latrini
Faculty of Economics and Business, Udayana University, Indonesia

I Ketut Yadnyana
Faculty of Economics and Business, Udayana University, Indonesia

Abstract

This research aims to determine the influence of pressure, opportunity, rationalization and capability on financial statement fraud. This research was conducted at the LPD in Mendoyo Sub-district. The sampling method used was non-probability sampling with a purposive sampling technique, so that a total of 76 samples were obtained. The data in this study were analyzed using multiple linear regression analysis techniques using the SPSS version 25 program. The results of this study show that pressure has a negative effect on financial statement fraud, opportunity has a positive effect on financial report fraud, rationalization has no effect on financial report fraud, and capability has an effect negative on financial statement fraud. This research provides a contribution for various parties as material for consideration of factors that can influence the occurrence of fraudulent financial statements.

Keywords: Financial Statement Fraud, Pressure, Opportunity, Rationalization, Capability, Fraud Diamond Theory

INTRODUCTION

Village Credit Institutions or what are often called LPDs are one of the financial institutions that are shaded or managed by Traditional Villages in Bali Province. In general, the establishment of Village Credit Institutions (LPD) is to achieve a more decent living welfare by advancing the Traditional Village community economically (Kurniasari, 2021). LPD encourages economic improvement in village communities by providing loans in the form of credit and also savings in the form of savings and deposits to support village economic development (Mertayasa & Masdiantini, 2022). Every year Village Credit Institutions in Bali experience quite rapid growth. One of the sub-districts in Bali, namely Jembrana Regency, has 64 LPDs spread across 5

sub-districts. With the health classification shown by the Jembrana Regency LPLPD in 2023, it states that 51 LPDs are in a healthy condition, 3 LPDs are in a fairly healthy condition, 6 LPDs are in an unhealthy condition, 1 LPD is in an unhealthy condition and 3 other LPDs are in a non-operating condition and have not reported data to the Jembrana Regency LPLPD as of December 2023. The fairly healthy, unhealthy and unhealthy conditions of the LPD show 3 indications of poor financial management and the possibility of fraud within the LPD (Trirahayu & Wirawati, 2023).

According to ACFE (2022) states that fraud is the act of someone taking advantage of their position or authority intentionally to misuse the resources or assets of an organization. The Village Credit Institution (LPD) is one of the microfinance institutions in Bali Province which aims to improve the welfare of village communities, and is also not free from fraudulent activities. This is proven by the existence of several acts of fraud that occurred at the LPD in Jembrana Regency, more precisely in Mendoyo Sub-district, namely at the Yehembang Kauh Traditional Village LPD and the Mendoyo Dangin Tukad Traditional Village LPD. Starting in 2021, discrepancies were discovered in the recording of the financial reports of the Yehembang Kauh Traditional Village LPD by the Jembrana Regency LPLPD. Based on data from the Jembrana Regency LPLPD, this discrepancy occurred due to differences between the financial performance report of the Yehembang Kauh Traditional Village LPD and the audit recapitulation of the Yehembang Kauh Traditional Village LPD. This fraudulent act was carried out by the chairman of the Yehembang Kauh Traditional Village LPD who was in office at that time, by using LPD cash for his personal interests. A similar case of fraud also occurred at the Mendoyo Dangin Tukad Traditional Village LPD where it was stated that there were acts of corruption committed by the chairman of the Mendoyo Dangin Tukad Traditional Village LPD who was in office at that time. The LPD chairman used all customer funds for his personal needs. This case has been uncovered since 2020, because several customers were unable to withdraw their own money, then there were customers who wanted to withdraw their money but their identities were not registered with the LPD, and there were also deposit customers whose savings books still had nominal amounts but in the LPD registration there were already withdrawals the deposit funds.

The theory developed by Wolfe & Hermanson (2004) namely fraud diamond theory is a theory that can be used to detect fraud with four elements, namely pressure, opportunity, rationalization and capability. The use of this measurement is expected to be able to determine the main factors that cause someone to commit fraud or deception. This theory states that fraud begins with an opportunity and is followed by pressure and rationalization. However, the party who will commit fraud must have the capability or power to recognize opportunities and take advantage of these opportunities. Jensen & Meckling (1976) stated that there are several

characteristics associated with perpetrators of fraud, especially in large numbers and over a long period of time, namely someone who has a position in an organization, has an understanding and knows the weaknesses of the organization's internal control, has a strong ego and belief in committing fraud, forcing other people to help and keep the fraud committed a secret, lying to cover up the fraud committed, and finally being able to control stress after committing acts of fraud or fraud.

Fraud can not only occur in companies but can also occur in financial institutions, one of which is the Village Credit Institution (LPD), which is domiciled in Bali Province (Suparmini et al., 2020). This fraud can occur due to lack of supervision and weak internal controls implemented. Apart from that, applying agency theory can also minimize the occurrence of fraud, because this theory is intended to solve problems between the agent (the LPD) and the principal (the Pakraman Traditional Village). The problem that often occurs is the difference in information held between the two parties or what is usually called information asymmetry (Putri & Suartana, 2022). If these conditions occur, it is possible for fraudulent acts to occur by one of the parties.

Pressure is a condition that makes someone capable of committing fraudulent acts (Suripto & Karmilah, 2021). Pressure causes a person to do anything to achieve the goal he wants. Research conducted by Istifada & Senjani (2020) shows that the pressure experienced by perpetrators of fraudulent acts such as financial pressure, work pressure, and having bad habits are triggers for someone to commit fraudulent acts. According to Putri & Suartana (2022) the thing that motivates someone to commit fraud is because someone is dissatisfied with the rewards or wages they get from a company or institution. In research by Utama et al. (2018) stated that endogenous factors of pressure, namely financial pressure, external pressure, and personal financial need have a positive effect on fraudulent financial reporting. In line with this research, research conducted by Tinay et al. (2022) stated in the results of his research that pressure had a positive and significant effect on the tendency for fraudulent financial management. Likewise with research conducted by Noble (2019) also stated that pressure influences fraudulent financial statements. Excessive pressure can motivate someone to commit fraudulent acts, so pressure can predict the occurrence of fraudulent financial statements (Premananda et al., 2019).

H1: Pressure has a positive effect on financial statement fraud

Having an opportunity or opportunity will increase a person's desire to commit fraud (Deasri & Utama, 2022). The more opportunities there are, the more likely it is that fraud will occur. Situations that provide opportunities to commit fraud are usually due to weak internal supervision and control, as well as abuse of authority (Tinay et al., 2022). Having weak supervision and internal control can

certainly make it easier for someone to commit fraud. By having good supervision and good internal control, the opportunity for fraud will be minimized. According to Istifada & Senjani (2020) His research states that opportunities have a positive effect on fraudulent acts in the form of misuse of assets. Research conducted by Lamawitak & Goo (2021) also stated that opportunities proxied by ineffective supervision influence fraud. In line with this, research conducted by Avortri & Agbanyo (2021) stated that opportunity is one of the drivers of fraud in the banking sector.

H1: Opportunity has a positive effect on financial statement fraud

Rationalization is a condition when a person always feels that all the actions he takes are right, even though the actions he takes are fraudulent (Deasri & Utama, 2022). According toSuparmini et al. (2020) stated that this rationalization causes a person to change their mind, from initially not committing fraud to being willing to commit it. The higher the level of rationalization, the higher the fraud that can occur. According to Istifada & Senjani (2020) rationalization is proven to have a positive effect on the tendency for fraud to occur, because the perpetrator of the fraud confirms and admits that the fraud he committed was a common action. In research conducted by Tinay et al. (2022) And Avortri & Agbanyo (2021), states that rationalization has a positive and significant effect on fraudulent management of financial reports. Rationalization is the act of seeking justification for the fraudulent act that will be carried out and using it as motivation to commit the fraud. In line with this, research conducted by Widyawati & Widnyana (2022) concluded that rationalization has a positive effect on fraudulent financial reporting.

H_3: Rationalization has a positive effect on financial statement fraud

Capability is a condition when someone has the right abilities and knows the condition of the institution or company (Haqq & Budiwitjaksono, 2020). A person's position in a company or institution greatly influences the level of fraud they can commit (Aprilia & Furqani, 2021). The higher the position he holds, the higher the level of fraud he can commit (Nadia et al., 2023). The presence of pressure, opportunity and rationalization can already make someone commit financial report fraud, but if you add the capability (position/authority), then you will be able to commit this fraud easily, because you already know the internal control weaknesses of the company or institution it manages. Research conducted by Avortri & Agbanyo (2021) states that capability is the main factor in determining fraudulent behavior among top management staff. LPD managers must provide a sense of comfort and trust to the community, however, managers or employees actually commit many fraudulent acts at LPD (Mahottama et al., 2022). According to Sunardi & Amin (2018) as well as Lamawitak & Goo (2021) states that capability has a significant positive effect on the occurrence of fraud.

H_4: Capability has a positive effect on financial statement fraud

RESEARCH METHODS

This research uses a quantitative approach in associative form to test the relationship between two or more variables (Sugiyono, 2015). This research was conducted on LPDs in Mendoyo Sub-district because Mendoyo Sub-district has the highest number of LPDs with health classifications as quite healthy, unhealthy and unhealthy compared to other sub-districts as of 2023. The object of this research is fraudulent financial reports at LPDs in Mendoyo Sub-district, which will be affected by pressure, opportunity, rationalization and capability variables.

The population used in this research were all LPD managers and the supervisory body (panureksa). The sample selection used a non-probability sampling design using a purposive sampling method, so that a total of 76 respondents were obtained. Data collection was carried out using a questionnaire which was measured using a Likert scale with a score of 1 – 4. Each variable was measured using different indicators. The indicators used to assess pressure in this instrument are work pressure, family financial instability and external pressure which modifies the questionnaire statements from Safitri's (2019) research. The indicator used to assess opportunities in this instrument is ineffective internal control or supervision, using modified questionnaire statements from research by Pujayani & Dewi (2021). The indicators used to assess Rationalization in this instrument are attitude and behavioral control which modify the questionnaire statements from Safitri's (2019) research. The indicator used to assess capability in this instrument is the tendency to abuse authority which modifies the questionnaire statements from Farida's research (2017). Also, the indicators used to assess Financial Report Fraud in this instrument are the tendency to misuse assets, the tendency to commit material misstatements or manipulate financial reports, and the tendency to commit acts of corruption that modify questionnaire statements from research by Dewi et al. (2020).

The instruments in this study were tested using validity and reliability tests which aim to ensure that the measuring instruments used are valid and if used repeatedly the data obtained will remain the same. (Sugiyono, 2015). The analysis technique used in this research is multiple linear regression analysis, using the SPSS version 25 program. The formulation of the regression equation used is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(3)$$

Information:

Y	= Financial Report Fraud
α	= Constant
$\beta_1, \beta_2, \beta_3, \beta_4$	= Regression coefficient of the variable
X_1	= Pressure
X_2	= Chance
X_3	= Rationalization

X4   = Capability
e   = Standard Error

RESULTS AND DISCUSSION

   The number of respondents in this study was 76 respondents from 19 LPDs in Mendoyo Sub-district. The validity test is a test used to measure the validity of the statements in the questionnaire. The questionnaire can be said to be valid if the Pearson correlation value for the total score is greater than 0.30 (r > 0.30) with a significance level of 0.05. The results of the validity test in this study show that all Pearson correlation values for each statement item for each variable have a value greater than 0.03. This shows that all statement items in the questionnaire used are valid, so that the research instrument can be used to measure what should be measured.

Table 1. Relicapability Test Results

Information	Cronbach'sAlpha	Information
Pressure (X1)	0.850	Reliable
Chance (X2)	0.706	Reliable
Rationalization (X3)	0.813	Reliable
Capability (X4)	0.846	Reliable
Financial Statement Fraud (Y)	0.860	Reliable

Source: Research Data, 2024

   Reliability tests are carried out to measure the consistency and stability of statements on the research instruments used. The results of the reliability test show that the research instrument used has a Cronbach's Alpha greater than 0.60. Based on Table 1, it shows that all research instruments meet the reliability requirements so they are suitable for use in research.

Table 2. Descriptive Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Pressure (X1)	76	6	19	13.57	2,782
Chance (X2)	76	11	16	12.86	1,458
Rationalization (X3)	76	4	16	9.91	2,674
Capability (X4)	76	4	16	8.37	2,581
Financial Statement Fraud (Y)	76	16	24	19.13	2,150
Valid N (listwise)	76				

Source: Research Data, 2024

Based on Table 4.5, it can be seen that the pressure variable (X1) has a minimum value of 6 and a maximum value of 19. With an average value (mean) in the range 6 - 9, namely 13.57, which when divided by the number of question items is 5 items then a score of 2.71 is obtained which, if rounded up, becomes 3. This shows that on average respondents gave a score of 3 or the agree option. The standard deviation of the pressure variable from the average value is 2.782. The opportunity variable (X2) has a minimum value of 11 and a maximum value of 16. With an average value (mean) in the range 11 – 16, namely 12.86, which when divided by the number of question items of 4 items, you get a value of 3, 21 which when rounded up becomes 3. This shows that on average respondents gave a score of 3 or the agree option. The standard deviation of the pressure variable from the average value is 1.458. The rationalization variable (X3) has a minimum value of 4 and a maximum value of 16. With an average value (mean) in the range 4 - 16, namely 9.91, which when divided by the number of question items of 4 items, you get a value of 2, 48 which when rounded up becomes 2. This shows that on average respondents gave a score of 2 or the option of disagreeing. The standard deviation of the pressure variable from the average value is 2.674. The capability variable (X4) has a minimum value of 4 and a maximum value of 16. With an average value (mean) in the range 4 - 16, namely 8.37, which when divided by the number of question items of 4 items, you get a value of 2, 09 which when rounded up becomes 2. This shows that on average respondents gave a score of 2 or the option of disagreeing. The standard deviation of the pressure variable from the average value is 2.581. The financial report fraud variable (Y) has a minimum value of 16 and a maximum value of 24. With an average value (mean) in the range 16 – 24, namely 19.13, which when divided by the number of question items of 6 items, you get a value of 3.18 which when rounded up becomes 3. This shows that on average respondents gave a score of 3 or the agree option.

Table 3. Normality Test Results

	Unstandardized Residuals
N	76
Asymp. Sig. (2 – tailed)	0.011c
Exact Sig.(2-tailed)	0.223

Source: Research Data, 2024

Based on the results of the Kolmogorov – Smirnov normality test in Table 3, it shows that the Exact Sig. (2-tailed) which is 0.223 which is greater than the significance level of 5% or 0.05. So it can be concluded that the residual values from the regression model in this study can be stated to be normally distributed.

Table 4. Multicollinearity Test Results

Variable	Tolerance	VIF	Information

Pressure (X1)	0.699	1,431	Multicollinearity Free
Chance (X2)	0.850	1,177	Multicollinearity Free
Rationalization (X3)	0.677	1,477	Multicollinearity Free
Capability (X4)	0.854	1,170	Multicollinearity Free

Source: Research Data, 2024

The results of the multicollinearity test in this study show that all independent variables have a tolerance value greater than 0.10 and a VIF value smaller than 10, so it can be concluded that the regression model in this study did not show any symptoms of multicollinearity.

Table 5. Heteroscedasticity Test Results

			Unstandardized Residuals
Spearman's Rho	Pressure	Sig. (2 – tailed)	0.547
	Opportunity	Sig. (2 – tailed)	0.700
	Rationalization	Sig. (2 – tailed)	0.520
	Capability	Sig. (2 – tailed)	0.770

Source: Research Data, 2024

The results of the heteroscedasticity test with Spearman's Rho test show that the variables pressure (X1), opportunity (X2), rationalization (X3), and capability (X4) do not have symptoms of heteroscedasticity because the significant value of each variable is greater than 0.05.

Table 7. Results of Multiple Linear Regression Analysis

	Unstandardize Coefficients		Standardize Coefficients		
	B	Std. Error.	Beta	t	Sig.
(Constant)	14,156	2,010		7,042	0,000
Pressure	-0.199	0.088	-0.257	-2,251	0.027
Opportunity	0.671	0.153	0.455	4,392	0,000
Rationalization	0.159	0.093	0.198	1,709	0.092
Capability	-0.303	0.086	-0.363	-3,518	0.001

Source:Research Data, 2024

Table 7 shows the results of multiple linear regression analysis which can produce the following equation:

$Y = 14.156 - 0.199X_1 + 0.671X_2 + 0.159X_3 - 0.303X_4 + e$ ………………………… (2)

Constant value (α) has a value of 14.156, indicating that if all independent variables, namely pressure (X1), opportunity (X2), rationalization (X3), and capability (X4) are declared constant at 0, then the value of financial statement fraud (Y) is 14.156. The

regression coefficient value for the pressure variable (X1) is -0.199, which is negative, meaning that if pressure (X1) increases by one unit, then financial statement fraud (Y) will decrease by -0.199 with the assumption that the other independent variables are considered constant. The regression coefficient value for the opportunity variable (X2) is 0.671, which has a negative value, which means that if the opportunity (X2) increases by one unit, then financial statement fraud (Y) will increase by 0.671 with the assumption that the other independent variables are considered constant. The regression coefficient value for the rationalization variable (X3) is 0.159, which has a negative value, meaning that if rationalization (X3) increases by one unit, then financial statement fraud (Y) will increase by 0.159 with the assumption that the other independent variables are considered constant. The regression coefficient value for the capability variable (X4) is -0.303, which is negative, meaning that if capability (X4) increases by one unit, then financial statement fraud (Y) will decrease by -0.303 with the assumption that the other independent variables are considered constant.

Table 8. Coefficient of Determination Test Results (Adjusted R2)

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.594a	0.353	0.317	1,777

Source:Research Data, 2024

The coefficient of determination value is based on Table 8., which can be seen from the R Square value, which is 0.317. These results show that 31.7% of the variation in financial statement fraud (Y) can be explained by pressure (X1), opportunity (X2), rationalization (X3), and capability (X4), while the remaining 68.3% is explained or influenced by other variables not included in the research model.

Table 9. Model Feasibility Test Results (F Test)

	Sum of Squares	df	Mean Square	F	Sig.
Regression	122,428	4	30,607	9,690	0,000b
Residual	224,256	71	3,159		
Total	346,684	75			

Source:Research Data, 2024

Based on table 9, it can be seen that the significance value obtained, namely 0.000, is smaller than the alpha value, namely 0.05, while the F-calculated value obtained is 9.690, which is greater than the F-table value, namely 2.49. So it can be concluded that the regression model used is appropriate and can explain the influence of the independent variables, namely pressure (X1), opportunity (X2), rationalization (X3), and capability (X4) on financial statement fraud (Y).

The results of the t test carried out in this research can be seen in Table 7. The effect of pressure (X1) on financial statement fraud (Y). Pressure has a significance value of 0.027 which is smaller than the alpha value, namely 0.05, which means that H0 is rejected and H1 is accepted, while the t-count value is negative, namely -2.251. So it can be concluded that pressure has a negative and significant effect on fraudulent financial reports in LPD Mendoyo Sub-district. This shows that increasing pressure indicates a significant reduction in the tendency for fraudulent financial statements to occur. However, the results of this research are not in line with the fraud diamond theory which states that pressure is one of the drivers or motivations for committing fraudulent acts. This can be caused by increased pressure accompanied by increased internal control and supervision of LPDs, thereby reducing the intention or motivation to commit financial report fraud at LPDs in Mendoyo Sub-district. Agency theory by Jensen & Meckling (1976) explains the relationship between the agent and the principal. If this agency theory is linked to the results of this research, increasing pressure can cause LPD managers as agents to implement stricter internal supervision and control. The results of this research are in line with research conducted by (Widyawati & Widnyana, 2022) which states that pressure has a significant negative effect on the potential for fraudulent financial statements. Lamawitak & Goo (2021)as well as Aprilia & Furqani (2021) also obtained similar results, namely that pressure proxied by financial targets also had a significant negative effect on fraud.

The results of the t test for the Opportunity variable have a significance value of 0.000 which is smaller than the alpha value of 0.05, which means H0 is rejected and H1 is accepted, while the t-calculated value is positive, namely 4.392. So it can be concluded that Opportunity has a positive and significant effect on fraudulent financial reports in LPD Mendoyo Sub-district. This shows that the more opportunities there are to commit acts of financial statement fraud, the more acts of financial report fraud that occur. The results of this research are in line with the fraud diamond theory which states that opportunities open the door for fraudsters to commit fraud (Wolfe & Hermanson, 2004). Opportunities occur due to weak internal control systems, lack of supervision over organizational management, and misuse of authority and responsibility. The results of this research are also related to agency theory, which shows that LPD managers can act inconsistently with the interests of Traditional Villages, such as committing acts of fraud. In this case, it is very necessary to improve the internal control system and more optimal supervision in order to cover opportunities for committing acts of fraud in LPDs in Mendoyo Sub-district, considering that several LPDs in Mendoyo Sub-district have experienced or are currently experiencing cases of financial report fraud. This research is in line with that carried out by Tinay et al. (2022) And Goddess & First (2020) which shows that opportunity has a positive influence on financial statement

fraud. Likewise research conducted by Aprilia & Furqani (2021) And Lamawitak & Goo (2021) shows that opportunities proxied by ineffective monitoring have a positive effect on fraudulent financial reporting.

The results of the t test for the Rationalization variable have a significance value of 0.092 which is greater than the alpha value of 0.05, which means H0 is accepted and H1 is rejected, while the t-calculated value is positive, namely 1.709. So it can be concluded that Rationalization has no effect on fraudulent financial reports in LPD Mendoyo Sub-district. This shows that even though someone justifies an act of fraud, this reason does not have a strong enough incentive to commit an act of fraudulent financial reporting without other, stronger factors. The results of this research indicate that rationalization has no effect on financial report fraud. Even though rationalization is an important element in the fraud diamond, the results of this research indicate that rationalization is not enough to motivate someone to commit fraudulent acts, so it must be assisted by more dominant elements such as opportunities which have a significant positive influence in this research. In agency theory, the results of this research show that the rationalization or reasons used by LPD agents or managers to justify fraudulent acts at the Mendoyo Sub-district LPD are not significant. The results of this research are in line with research conducted by Pamungkas & Putri (2023), Mentari & Sopian (2022), And Putri & Januarti (2023) which states that rationalization has no influence on the tendency for fraudulent financial statements to occur.

The t test results for the Capability variable have a significance value of 0.001 which is smaller than the alpha value, namely 0.05, which means H0 is rejected and H1 is accepted, while the t-count value is negative, namely -3.518. So it can be concluded that capability has a negative and significant effect on fraudulent financial reports in LPD Mendoyo Sub-district. This shows that increasing capabilities can reduce the tendency for financial report fraud. The results of this research are not in accordance with the fraud diamond theory which states that capability plays a major role in determining whether fraud can occur or not. The results of this research show that capability has a significant negative effect on financial report fraud, which can occur because LPD managers are more aware of the risks and long-term consequences of financial report fraud. Apart from that, having high professional integrity and the opportunity to advance your career path can make LPD managers in Mendoyo Sub-district not want to be involved in fraudulent financial reports. In agency theory, capability in this research can be interpreted as the competence of management and LPD managers in maintaining the integrity of financial reports. The results of this research are in line with research conducted by Tinay et al. (2022) And Alvionika & Meiranto (2021) which states that capability has a significant negative effect on financial statement fraud. Research

conducted by Wirakusuma & Setiawan (2019) states that the higher the competence a person has, the lower the number of fraudulent acts he commits.

CONCLUSION

Based on the results of the data analysis and discussion that have been presented, it can be concluded that pressure has a negative effect on financial report fraud. This shows that increasing pressure indicates a significant reduction in the tendency for fraudulent financial statements to occur. Opportunities have a positive effect on financial statement fraud. This shows that the more opportunities there are to commit acts of financial statement fraud, the more acts of financial report fraud that occur. Rationalization has no effect on fraudulent financial statements. This shows that even though someone justifies an act of fraud, this reason does not have a strong enough incentive to commit an act of fraudulent financial reporting without other, stronger factors. Capability has a negative effect on financial statement fraud. This shows that increasing capabilities can reduce the tendency for financial report fraud. Future researchers can use other variables that are stronger in influencing financial report fraud, because based on the research results there are 68.7% variations in other variables that can influence financial report fraud, such as internal control and organizational ethical culture. Future research can also expand the scope of the sample and population so that it is not limited to LPDs in Mendoyo Sub-district. Suggestions that can be given from this research are that the LPD in Mendoyo Sub-district can consider implementing stricter internal controls, such as carrying out supervision or monitoring of the financial reporting system on a regular basis, so as to prevent fraudulent financial reports from occurring.

REFERENCE

Alvionika, P., & Meiranto, W. (2021). BASED ON FRAUD DIAMOND THEORY (Empirical Study of Banking Companies Listed on the IDX 2015-2019). 10(4), 1–12.

Aprilia, S.R.N.A., & Furqani, A. (2021). Detection of Financial Statement Fraud Using the Fraud Diamond Method in Service Companies. Journal of Accounting And Financial Issues, 2(2), 1–11.

Association of Certified Fraud Examiners (ACFE). (2022). Occupational Fraud 2022: A Report to the nations. Association of Certified Fraud Examiners, 1–96.

Avortri, C., & Agbanyo, R. (2021). Determinants of management fraud in the banking sector of Ghana: the perspective of the diamond fraud theory. Journal of Financial Crime, 28(1), 142–155. https://doi.org/10.1108/JFC-06-2020-0102

Deasri, N.K.D., & Utama, I.M.K. (2022). Internal Control, Organizational Commitment, Suitcapability of Compensation and Tendencies in Accounting

Fraud. Accounting E-Journal, 32(8), 2105. https://doi.org/10.24843/eja.2022.v32.io8.p11

Dewi, G.A.R., & Pertama, G.A.W. (2020). Diamond fraud and its impact. Scientific Journal of Accounting and Business, 5(2), 27–46. http://journal.undiknas.ac.id/index.php/akuntansi/article/view/2469

Haqq, A.P.N.A., & Budiwitjaksono, G.S. (2020). Analysis of pentagon fraud theory as a fraud detector in financial reports. Journal of Economics, Business, & Accountancy Ventures, 22(3), 319–332. https://doi.org/10.14414/jebav.v22i3.1788

Istifada, R.U., & Senjani, Y.P. (2020). Religiosity as the moderating effect of diamond fraud and personal ethics on fraud tendencies. Journal of Islamic Accounting and Finance Research, 2(1), 91–116. https://doi.org/10.21580/jiafr.2020.2.1.4721

Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics, 3(4), 305–360. https://doi.org/10.1177/0018726718812602

Kurniasari, T.W. (2021). Legal Strength of Hindu Traditional Financial Institutions (Village Credit Institutions/LPD): One of the Economic Strengtheners in the Informal Sector in Bali. REUSAM: Journal of Legal Studies, 9(2), 1–14. https://doi.org/10.29103/reusam.v9i2.6651

Lamawitak, P.L., & Goo, E.E.K. (2021). The Influence of Fraud Diamond Theory on Fraud in the Pintu Air Credit Cooperative. Journal of Accounting Economic Research (JENSI), 5(1), 56–67. https://doi.org/10.33059/jensi.v5i1.3620

Mahottama, K.M.A., Budiartha, I.N.P., & Ujiti, N.M.P. (2022). Imposition of Customary Sanctions for Perpetrators of Criminal Abuses of Financial Authority at the Tuwed Village Credit Institution (LPD). Journal of Construction Law, 3(2), 234–239.

Mentari, R.A., & Sopian. (2022). Fraud Diamond for Detection of Financial Statement Misrepresentation in the Manufacturing Industry. Research In Management and Accounting, 5(2), 68–92. https://doi.org/10.33508/rima.v5i2.4005

Mertayasa, K.B., & Masdiantini, P.R. (2022). Analysis of the Occurrence of Fraud at the Village Credit Institution (LPD) in Pakraman Tamblang Village. 12(1), 118–126.

Nadia, N., Nugraha, N., & Sartono, S. (2023). Analysis of the Influence of Diamond Fraud on Fraudulent Financial Statements in Sharia Commercial Banks. Journal of Accounting and Governance, 3(2), 125. https://doi.org/10.24853/jago.3.2.125-139

Noble, M.R. (2019). Fraud diamond analysis in detecting financial statement fraud. The Indonesian Accounting Review, 9(2), 121. https://doi.org/10.14414/tiar.v9i2.1632

Pamungkas, M., & Putri, E. (2023). Financial Statement Fraud Detection Using Diamond Theory Analysis and Covid-19. The International Journal of Business Management and Technology, 7(1), 1–11.

Putri, N.S., & Januarti, I. (2023). Fraud Diamond Perspective in Detecting Possible Financial Statement Fraud. 33(3), 619–633. https://doi.org/10.24843/EJA.2023.v33.i03.p03

Putri, N.W.A., & Suartana, I.W. (2022). Factors that Influence the Tendency of Accounting Fraud in LPDs in Badung Regency: The Role of Internal Control Effectiveness. Accounting E-Journal, 32(1), 3314. https://doi.org/10.24843/eja.2022.v32.i01.p01

Sugiyono, P.D. (2015). Sugiyono Quantitative Research Methods. Alphabeta Publishers.

Sunardi, & Amin, M.N (2018). Fraud detection of financial statements using fraud diamond perspective. International Journal of Development and Sustaincapability, 7(3), 878–891. www.isdsnet.com/ijds

Suparmini, N.K., Ariyanto, D., & Wistawan, I.M.A.P. (2020). Testing Fraud Diamond Theory on Indications of Financial Statement Fraud in Indonesia. e-Journal of Accounting, 30(6), 1441–1457.

Suripto, & Karmilah. (2021). the Influence of the Audit Committee and Fraud Diamond. International Journal of Economics, Business and Accounting Research (IJEBAR), 2021(3), 1–22.

Tinay, A., Karamoy, H., & Sondakh, J. J. (2022). Fraud Tendency Analysis. Journal of Accounting and Auditing Research, 3(2), 216–234. https://ejournal.unsrat.ac.id/v3/index.php/goodwill/article/view/45790/41054

Widyawati, S.R., & Widnyana, I.W. (2022). Research in Business & Social Science Role of forensic accounting in the diamond model relationship to detect the financial statement fraud. Research in Business & Social Science IJRBS, 11(6), 402–409. https://doi.org/10.20525/ijrbs.v11i6.1924

Wirakusuma, I.G.B., & Setiawan, P.E. (2019). The Influence of Internal Control, Competence and Locus of Control on the Tendency of Accounting Fraud. 26(2), 1545–1569. https://doi.org/https://doi.org/10.24843/EJA.2019.v26.i02.p26

Wolfe, D.T., & Hermanson, D.R. (2004). The Fraud Diamond: Considering the Four Elements of Fraud. The CPA Journal, 74(12), 38–42.